

Message Text

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SUBJECT: THE NEWFOUNDLAND BUDGET: PLUCKING THE GOOSE

1. JEAN BAPTISTE COLBERT, FINANCE MINISTER TO LOUIS XIV, IS ALLEGED TO HAVE SAID THAT THE ART OF TAXATION LIES IN SO PLUCKING A GOOSE AS TO OBTAIN THE LARGEST AMOUNT OF FEATHERS WITH THE LEAST POSSIBLE AMOUNT OF HISSING. FOLLOWING THE PRESENTATION OF NFLD'S NEW BUDGET ON MMAR 17, THE HISSING SOUNDS IN WHAT EX-PREMIER SMALLWOOD WAS WONT TO CALL "THE HAPPY PROVINCE" MUST HAVE BEEN DEAFENING. FACED WITH A CDOLS 10 MILLION SHORTFALL ON ITS CURRENT ACCOUNT AS A RESULT OF LAST SEPT'S REVISION OF FEDERAL TAX CALCULATIONS, PROVINCIAL FINANCE MINISTER ALEX HICKMAN BROUGHT DOWN A BUDGET WITH RISES IN THE SALES TAX (UP FROM 10 TO 11 PERCENT) AND IN THE TAX ON CIGARETTES (UP 3 CENTS A PACK) AS WELL AS AN ORDER TO THE PROVINCIAL LIQUOR COMMISSION TO RAISE ITS PRICES SO AS TO INCREASE ITS PROFITS BY AT LEAST CDOLS 3 MILLION. ALSO, THERE WILL BE NEW USER CHARGES FOR PERSONS AVAILING THEMSELVES OF THE MEDICARE AND DENTAL CARE PROGRAMS OF THE PROVINCE

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AND CUTBACKS IN PROVINCIAL AID TO EDUCATION. THERE WILL BE NO NEW HOSPITAL CONSTRUCTION DURING THE FISCAL YEAR.

2. THERE WAS LITTLE IN THE NEW BUDGET TO GLADDEN THE AVERAGE CITIZEN EXCEPT FOR THE ANNOUNCEMENT THAT A NEW EXEMPTION OF ELECTRICITY FROM THE RETAIL SALES TAX WILL

OFFSET A RECENTLY-GRANTED RATE INCREASE FOR NFLD HYDRO, MEANING NO EFFECTIVE INCREASE TO CONSUMERS. CORPORATE INCOME TAXES FOR SMALL BUSINESSES, MOREOVER, ARE BEING REDUCED FROM 14 TO 12 PERCENT IN A CONTINUING EFFORT TO CREATE AN IMPROVED INVESTMENT CLIMATE.

3. SPENDING WILL REMAIN STEADY OR WILL BE SLIGHTLY INCREASED IN THE DEVELOPMENT OF THE PROVINCE'S NATURAL

RESOURCES, ESPECIALLY THE FISHERIES AND HYDRO GENERATION. IN SHORT, THEN, IT IS AN AUSTERE BUDGET WITH RELATIVELY LESS SPENDING ON SOCIAL SERVICES THAN IN PREVIOUS YEARS DESPITE NEW TAX BURDENS WHICH BY THEIR VERY NATURE ARE REGRESSIVE AND WILL HIT THE POOR THE HARDEST. WILL POUCH BUDGET TO DEPT (EUR/CAN) AND EMBASSY OTTAWA WHEN RECEIVED.

4. COMMENT: IT WAS THE CUTBACK IN THE SOCIAL SERVICES SECTOR, AND SPECIFICALLY THE THRICE-POSTPONED COMMITMENT OF A PROMISED CDOLS 22 MILLION EXPANSION TO THE CENTRAL NFLD HOSPITAL IN GRAND FALLS THAT PRECIPITATED A RATHER DRAMATIC RESIGNATION BY RURAL DEVELOPMENT MINISTER JOHN LUNDRIGAN ON THE EVE OF THE BUDGET PRESENTATION. LUNDRIGAN IS BEST REMEMBERED AS THE MP WHO INSPIRED TRUDEAU'S "FUDDLE DUDDLE" REMARK IN 1971. A FREE-SWINGING POPULIST (HIS OPPONENTS WOULD CALL HIM UNCLASSIFIED

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A GRANDSTANDER), HE WAS PROMINENTLY IN THE NEWS A WEEK AGO OR SO WHEN, IN THE TEMPORARY ROLE OF A SEAL HUNTER, HE VERBALLY BLASTED A VISITING US CONGRESSMAN WHO HAD COME TO OBSERVE THE HUNT ON THE ICE OFF LABRADOR.

5. LUNDRIGAN HAS STATED HE IS UNSURE WHETHER HE WILL STAY ON AS A BACKBENCHER IN NFLD'S HOUSE OF ASSEMBLY. ONE WONDERS WHETHER HE IS PLAYING WITH THE IDEA OF RE-ENTERING FEDERAL POLITICS AND HAS SURRENDERED HIS PORTFOLIO AS A SIGNAL OF HIS AVAILABILITY AND AS A GRAND GESTURE OF RENUNCIATION AND HIGHMINDEDNESS AIMED AT INGRATIATING HIMSELF WITH THE ELECTORATE.

6. NFLD PREMIER FRANK MOORES, MEANWHILE, HAS NO IMMEDIATE NEED TO SEEK POLITICAL POPULARITY. HIS IS THE ONLY GOVT IN ATLANTIC CANADA WITH NO PLANS FOR A 1978 ELECTION. BY 1979 HE WILL HAVE MENDED A LOT OF POLITICAL FENCES AND, DOLLARS TO DOUGHNUTS, WILL HAVE COOKED UP A FREE-SPENDING NEW BUDGET THAT WILL BE SWEETER THAN MOM'S APPLE PIE. END COMMENT.

MOORE

NOTE BBY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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